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## India

### Agricultural Situation

#### Weekly Highlights and Hot Bites, #26

2004

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**Report Highlights:**

\*GOI budget for FY 2004/05 - Agricultural highlights\*, \*Grain export supports at Rs. 165.4 billion\*, \*Industry for specialized biotech regulator\*, \*Chinese apples for Indian mangoes\*, \*GDP growth in 2004/05 may slow to 6.4 to 7.4 percent\*, \*BANGLADESH: Nod to central bonded warehouses for readymade garments\*, \*BANGLADESH: Agro-based industry gets big boost\*.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1]  
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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### GOI BUDGET FOR FY 2004/05 – AGRICULTURAL HIGHLIGHTS

Finance Minister Chidambaram presented the new government's Budget for Indian FY 2004/05 (Apr-Mar) on July 8. The agricultural highlights of the budget are:

- **Import Duties:** A 2 percent education cess (surcharge) on all direct and indirect taxes, including custom duties, which would result in higher tariff rates for most agricultural and other products (except for those where the current effective rate is at the WTO bound rate and for some specific notified items). Import duty on refined palm oil and products increased to 75 percent from the current 70 percent.
- **Expansion of the Public Grain Distribution System:** The *Antyodaya Anna Yojana* (a government scheme for the distribution of wheat and rice to the poorest-of-the-poor families at highly subsidized rates) to be expanded from the current 15 million families to 20 million families; the existing Public Distribution System to be expanded and strengthened; new food-for-work program to be introduced in 150 districts; a pilot Food Stamp Program to be implemented.
- **Encouragement for Crop-Diversification:** A National Horticultural Mission to be launched to double horticultural production from the current level of 150 million tons to 300 million tons by 2011-12. The government will help farmers to diversify into oilseeds by promoting superior seed-technology and an effective price support operation.
- **Agricultural Credit:** Agricultural credit by private and public institutions to be doubled in three years.
- **Support to Food Processing Industry:** Food processing industry to be fully exempted from excise duty. New agro-processing industries set up to process, preserve, and package fruits and vegetables to be fully exempted from income tax for 5 years and 25 percent for the following five years. Excise duty on meat preparations, poultry, and fish reduced from 16 percent to 8 percent.

Source: Finance Minister's Budget Speech - <http://indiabudget.nic.in/ub2004-05/bs/speecha.htm>

*Post Comment:* There is nothing in the budget for additional market access for agricultural products. Although clearly part of Prime Minister Singh's "reforms with a human touch" approach, the budget is short on specifics and implementing steps.

### GRAIN EXPORT SUPPORTS AT RS. 165.4 BILLION

The Indian government spent nearly rs. 165.4 billion (\$3.6 billion) on subsidizing exports of 34 million tons of wheat and rice from 2000/01, when it began issuing foodgrains from the government-held stocks for exports, through May 2004. This includes rs. 91.6 billion (\$2

billion) on exports of 20.3 million tons of wheat, and rs. 73.8 billion (\$1.6 billion) on shipping 13.6 million tons of rice, according to Food Ministry sources. (Source: Business Standard, 07/06/04)

### **INDUSTRY FOR SPECIALIZED BIOTECH REGULATOR**

An industry association, demanded a single biotech regulatory authority with three specialized wings, to be based on the US model. These three wings are the Genetic Engineering Approval Committee (in the role of U.S. EPA), the Indian Council of Agricultural Research (ICAR) (in the role of U.S. Department of Agriculture), and the Drugs Controller General of India (in the role of U.S. FDA). They also suggested that the present biotech legislation should be amended to remove the hurdles in biotech regulation, and to make imports of biotech industry and research materials, such as plant tissue cultures, easier. (Source: Financial Express, 7/7/04)

### **CHINESE APPLES FOR INDIAN MANGOES**

Traders from India and Shaanxi, a province in China, are planning to opt for a 'fruitful route' to boost bilateral trade by exchanging Chinese apples for Indian mangoes. A company from the Chinese province is keen to export Fuji apples, new red start apples, Qin guan apples and crisp pears to India, and to import Indian mangoes, grapes, and litchis. They also want to set up a logistic chain and storage and distribution network based in the Mumbai region. (Source: Pioneer, 7/4/04)

### **GDP GROWTH IN 2004/05 MAY SLOW TO 6.4 to 7.4 PERCENT**

Economists are forecasting the GDP growth rate at 6.4 percent to 7.4 percent for IFY 2004/05 (April – March), compared with 8.1 percent in 2003-04, due to a likely lower growth rate in the agricultural sector, and despite better growth rates in the manufacturing and the services sectors. An economist from a credit rating agency said that he is pessimistic about the growth prospects in the agricultural sector, and projects that the agricultural growth rate during 2004/05 will be 2-2.5 percent, even with a good monsoon. (Source: Business Standard, 7/2/04)

### **BANGLADESH: NOD TO CENTRAL BONDED WAREHOUSES FOR READYMADE GARMENTS**

The National Co-ordination Council (NCC) on textile and readymade garment industries recommended setting up central bonded warehouses (CBWs) in export processing zones and a Taka 30 billion (US\$500 million) fund to withstand the challenges of the post-MFA (multi-fiber arrangement) environment. The CBWs are intended to help readymade garment exporters significantly reduce the lead-time when shipping their products. (Source: The Daily Star, 07/07/04).

### **BANGLADESH: AGRO-BASED INDUSTRY GETS BIG BOOST**

The Bangladeshi government will increase rebates on power costs for agro-based industries to 20 percent from the present 15 percent, effective July 1. Exports of agro-based products will also receive a 20-25 percent subsidy. According to a Finance Ministry circular, 13 types of agro-based industries will get the new power cost rebate: fruit by-product, processed canned fruit, mushroom and spirulina processing, milk processing, potato by-product, aromatic rice and spice packing, salt, pulses, coconut oil, poultry feed, fish feed, seed processing, and silk. The Finance Ministry will give the subsidy directly to different power authorities to sell

electricity at subsidized rates. The money will come from the Taka 6 billion (US\$100 million) agriculture subsidy allocation in the budget. (Source: The Daily Star, 07/07/04)

**RECENT REPORTS SUBMITTED BY FAS/NEW DELHI**

REPORT #	SUBJECT	DATE SUBMITTED
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IN4066	FAIRS Product Specific – GOI Publishes Two Amendments to PQO 2003	07/06/04

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